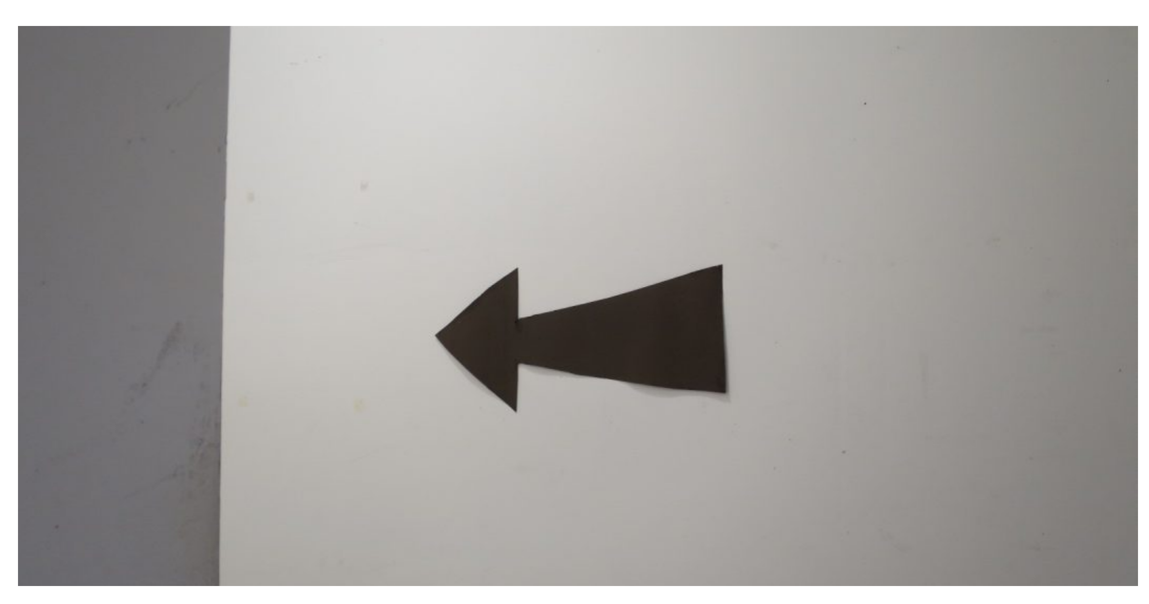
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ALAN FREEMAN 2017-06-28

WHAT MAKES THE US PROFIT RATE FALL ?

ECONOFICTION CAPITAL, ECONOMY, FALL OF PROFITRATE, MARXISM

Since world war II there have been two quite distinct phases of world growth. In about 1965, a long slowdown set in which has still not ended. Robert Brenner (2002, 2003) has re-ignited the debate about its causes, claiming that nothing in either present or past economic theory explains it. He argues for a 'third explanation', alternative both to the profit-share hypothesis which dominates today, and the rising output-capital ratio account associated with Marx and Kalecki.

Empirically, the evidence overwhelmingly shows the output-capital ratio is a dominant cause of postwar movements in the US profit rate; thus what Brenner maintains is theoretically impossible, is empirically true. The paper dissects this contradiction which, if economics proceeded scientifically, would lead to a radical critique of its own paradigm, but has instead led it to suppress and ignore the only coherent alternative.

The paper shows Brenner's rejection of the Marx-Kalecki framework arises because his theoretical paradigm, adapted uncritically from his critics, cannot allow for the effect of falling prices on capital stocks. His own 'third explanation' is incompatible with this same framework and can be sustained only by understanding it as the mechanism behind, or ultimate cause of, the movement of the output-capital ratio in price terms.

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Foto: Bernhard Weber

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